UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL

Distr.
LIMITED

E/ECA/IMR/5
22 October 1983

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

Third meeting of the Inter-governmental
Committee on Experts on Chemicals
for Eastern and Southern Africa

Addis Ababa, Ethiopia, 18-20 October 1983

REPORT

A. ORGANIZATION AND PARTICIPATION

1. The third meeting of the Inter-governmental Committee of Experts on Chemicals for Eastern and Southern Africa was held in Addis Ababa from the 13 to 20 October 1983.

Attendance

2. The meeting was attended by representatives of the following member States, Ethiopia, Zimbabwe and Uganda. The OAU and the Preferential Trade Area for the Eastern and Southern Africa subregion (PTA) were represented as observers.

3. The meeting unanimously agreed that since there were only three countries present at the opening of the meeting, the Secretariat should tentatively serve as the bureau of the meeting until the arrival of more participants.

B. ADOPTION OF THE AGENDA

4. The following agenda was unanimously adopted:

1. Opening of the meeting
2. Election of officers
3. Adoption of the agenda and organization of work
4. Presentation of and discussion on criteria for selecting national and multinational projects
5. Presentation of and discussion on "Consultant's Report on the Development of Chemical Industries in the Eastern and Southern Africa Subregion"
6. Presentation of and discussion on country progress reports on fertilizers, pesticides and pharmaceuticals which, in the case of the following countries should include progress activities related to the:
   (a) Potash project in Ethiopia
   (b) Ammonia/urea project in the United Republic of Tanzania
   (c) Phosphate fertilizer plants/projects in Zimbabwe, Uganda and the United Republic of Tanzania
7. Conclusion and recommendations on: (i) multinational core projects constituting a first attempt at chemical industries development programme for the subregion and (ii) modalities for co-operation
8. Presentation of and discussion on the "Initial Integrated Industrial Development Programme for Eastern and Southern Africa"
9. Any other business
10. Adoption of the report and closure of the meeting.

C. ACCOUNT OR PROCEEDING

5. The third meeting of the Inter-governmental Committee of Experts on Chemicals for Eastern and Southern Africa was opened by Mr. G. Kimani, Director of Joint ECA/UNIDO Industry Division of ECA. In his opening remarks he expressed regret that the meeting which was supposed to have been opened on 17 October 1983 was delayed for many reasons, the most important of which was the poor turn out of delegates. He briefly described the activities leading to the convening of the meeting indicating in particular that the meeting was designed to identify multinational projects based on project ideas emmanating from the member States and to examine indepth possible mechanisms for collaboration/co-operation in chemical industry development in the subregion and make recommendations to the Council of Ministers of the Lusaka MULPOC. He stated that since the emphasis was on multinational projects and related collaboration arrangements, the committee had through its first and second meetings identified some projects for multinational/subregional collaboration and co-operation, particularly Ethiopia's potash and Tanzanian's amonia projects.

6. He outlined the objectives of the meeting as follows:

(i) To examine the consultant's report which covers all the areas that have been identified in the chemical industry subsector for multinational collaboration and co-operation, with a view to determining what action could be taken in relation to specific issues - for example, in relation to Tanzania's ammonia and Ethiopia's potash projects, and to work out solutions for most of the problems raised therein;

(ii) To examine the various country papers with a view to abstracting relevant information including identification of multinational projects that would assist the secretariat in compiling a comprehensive data on chemicals which would invariably contribute immensely in the implementation of the subregional plan for collaboration and co-operation in the chemical subsector;

(iii) To critically examine the criteria for selecting multinational/subregional and national industrial core projects with a view to determining whether such criteria are feasible and within the reach of the member States;

(iv) To critically examine multinational projects and recommend those that could be promoted. Since the recommendations would be used as inputs to the meeting of an Inter-governmental Committee of Experts on the Industrial Development Decade scheduled to take place from 22 to 26 November 1983 in Addis Ababa. He stressed that the Committee's deliberations will contribute immensely to the success of the meeting and consequently to the implementation of multinational projects during the implementation period (1985-1990) of the Industrial Development Decade for Africa.

7. He concluded by informing the Committee that in a recent consultative meeting between ECA and the African Development Bank (ADB), the Bank clearly indicated that it would prefer to finance multinational projects sponsored at the government level. Approximately $US 9 billion have been set aside by the Bank for socio-economic and infrastructural projects, a certain percentage of which has been

earmarked for multicountry projects. He further stated that once projets have been identified, planned and agreed upon by interested member States, investment promotion meetings, limited to potential investors in the region in the first instance, will be convened in collaboration with the ADB, to examine the projects with a view to attract and mobilize investment finance.

8. Mr. Nakonmen Akomeyeku, Chief of the Industrial Operations Section, ECA who chaired the meeting outlined the importance and objectives of the Programme for the implementation of the Industrial Development Decade for Africa (IDDA); the subregional programme for chemicals; the criteria for the selection of priority core industries which have their bearing on the objectives and priorities of the Lagos Plan of Action, and/or the industrial activities and natural resources base of the member States. He briefly described the status of the projects identified for multinational collaboration and emphasized the need for the collation of information on pesticides and pharmaceuticals as indicated in the questionnaires sent to the member States so as to enable the secretariat to identify specific pharmaceutical and pesticides project.

9. In the discussion which followed on the opening remarks by the secretariat, a delegate suggested that since it was difficult for member States to collect the specific information requested by the ECA, the secretariat should consider giving technical assistance to the member States in this direction. In response, the secretariat stated that in 1982 a consultant was recruited by ECA to assist member States in doing so but the response of the member States was poor and, since the resources of the secretariat were limited, it could not go on giving technical assistance in the implementation of one activity indefinitely.

Presentation of and discussion on criteria for selecting national and multinational projects (agenda item 4)

10. Introducing the paper the secretariat acquainted the meeting with some of the activities that have been undertaken on the implementation of activities relating to the preparatory phase of the IDDA, particularly with regards to selecting national, multinational and subregional core industrial projects. It was pointed out that the criteria for selecting multinational industries have been agreed upon by the secretariats of the CAU, ECA and UNIDO whereas, those relating to national project were prepared by the ECA and would be examined by the other two secretariats in due course. It should be noted that the proposed criteria were not rigid and should be considered as general guidelines which could be modified by member States on the basis of their national objectives/priorities and prevailing peculiar conditions. The meeting was therefore requested to examine the criteria with a view to making realistic and effective suggestions for inclusion in the criteria.

Presentation of and discussion on "Consultants Report on the Development of the Chemical Industries in the Eastern and Southern Africa Subregion" (agenda item 5)

11. In introducing the report, the secretariat noted that the ammonia project in Tanzania had reached a stage when the Tanzanian Government is expected to make final decision on the project before the end of 1983. It was indicated that the Tanzanian Government would be in the position to release 23 per cent of its shares to interested member States. In the case of Ethiopia's potash, it was noted that the Ethiopian Government has reiterated its willingness to extend participation to member States and has commissioned a feasibility study and the Government welcomes participation of other members in the project.

12. The representative of the secretariat expressed concern over the poor response of member States to the questionnaires on pesticides and pharmaceuticals as a result of which the secretariat has been unable to make concrete proposals on pesticide and pharmaceutical development in the subregion. He informed the Committee that the model prefeasibility study on the formulation of pharmaceuticals has been completed but the secretariat has some problems in reproducing it. The study would however be sent to member States in due course.

13. The discussion which followed centred, inter alia, on mechanism for multinational co-operation;availability of foreign exchange; the need for member States to secure investment funds from regional or subregional financial institutions, such as the ADB,to effect equity participation in the proposed joint ventures;the feasibility of large-scale production;competitiveness of the products of joint-venture enterprises; and methods of overcoming problems raised in the consultant's report.

14. It was stated that although there were different forms of institutional arrangements on multinational industrial enterprises,it would be more effective if such arrangements were made within the framework of an inter-governmental agreement. Basically, a multinational co-operation in the development of the chemical subsector would include one or a combination of the following:

(a) The establishment of joint-ventures at the level of member States of the subregion; at the level of member States of the subregion and other subregions and regions (an example of this is fertilizer project in Senegal which has Senegal, Ivory Coast, Indian Companies, Islamic Development Bank, Nigeria and Cameroon as shareholders); at the level of statutory corporations and nationals;

(b) Arrangements relating to the purchase of products and the supply of raw materials, energy and related services;and

(c) Arrangements in terms of co-production, specialization and sub-contracting.

15. Regarding the mobilization of financial resources for the implementation of chemical projects it was indicated that, even though member States may be interested in equity participation in the identified multinational projects, the lack of foreign exchange was a major impediment to the realization of some of these projects. Subregional, regional and international financing institutions should therefore consider granting equity funds to the Governments directly as loans.

16. On the question of scale of production, it was stated that the establishment of large-scale multinational industrial enterprises in the chemical subsector where economies of scale were important, would provide inputs to other industries and economic activities. It was also the view of the Committee that the establishment of multinational enterprises would have the advantages of securing for chemical raw material producers and manufacturers a protected access to a subregional market. The pooling of resources to establish joint-ventures would attract foreign investors and would invariably make the products competitive.

Presentation of and discussion on country's progress reports on fertilizers, pesticides and pharmaceuticals which, in the case of the following countries should include progress reports on activities related to the:

(a) Potash project in Ethiopia;

(b) Ammonia/urea project in the United Republic of Tanzania;

(c) Phosphate fertilizer plants/projects in Zimbabwe, Uganda and the United Republic of Tanzania (agenda item 6)

17. The representative from Uganda in presenting his country's paper stated that the Government of Uganda has planned to develop the phosphate reserves in the Sukulu Hills deposit of Tororo. The Government's plan was not limited to merely rehabilitating the existing facilities but included the establishment of new facilities which would incorporate the existing facilities of the old plant. A comprehensive study was being undertaken to determine the commercial, technical, financial and economic viability of the project. Basically the phosphate reserves were estimated at approximately 230 million tonnes with an average of 12.8 per cent of P_2O_5. Estimated annual production of about 210,000 tonnes/year of concentrates at 38 per cent P_2O_5, single superphosphate of approximately 380,000 tonnes, involving a capital investment of about 84 million dollars was envisaged.

18. He informed the Committee that the International Development Association (IDA) has agreed in principle to back the funding implementation of the project and that the Government had taken steps to secure loan financing from other sources. However in its effort to encourge industrial co-operation, the Government would be quite willing to involve other member States of the subregion in terms of technical services and marketing. He said that a thorough market study had been completed governing not only countries of the subregion but other countries in the Central and North African subregions and it would appear that 20 to 30 per cent of the planned capacity could easily be absorbed by Uganda.

19. He concluded by drawing the attention of the Committee to some figures quoted in the consultant's report on the Uganda phosphate project which he said were inaccurate as they were based on old preliminary report. The relevant sections were therefore amended in the consultant's report.

20. The secretariat then asked the consultant why Uganda has opted for the production of single superphosphate and not for the production of the high analysis fertilizers and phosphoric acid. In response, the delegate said that there were many reasons for this decision but the main reasons were the high capital investment cost for non-single superphosphate production units and the needs of the farmers as recorded in the market study.

Presentation of and discussion on the "Initial Integrated Industrial Development Programme for Eastern and Southern Africa" (agenda item 8)

21. The meeting agreed that since the substance of the agenda item has been discussed in depth under agenda item 5, i.e. the consultant's report, there was no need to consider the paper as presented by the secretariat.

D. CONCLUSION AND RECOMMENDATIONS (agenda item 7)

22. The third meeting of the Inter-governmental Committee of Experts on Chemicals taking into consideration the contents of documents presented and the discussions of the Committee recommends:

I. That member States of the subregion:

1. Take immediate action to jointly promote and implement:

(a) Tanzania's ammonia/urea project;

(b) Ethiopia's potash project;

(c) Uganda's phosphate fertilizer project.

2. Consider, where appropriate, the possibilities of converting the following national projects into multinational ones:

(a) Copper-based pesticides in Tanzania;

(b) Copper-based mollucides, algicides and fungicides in Zambia;

(c) Malathion in Madagascar;

(d) Expansion of existing production facility for foot and mouth disease vaccine in Kenya;

(e) Rabies vaccine in Mozambique, Zambia and Kenya;

(f) Quinine from cinchona bark juice and hecogenine from sisal in Kenya.

II. That preliminary studies be undertaken on the following with a view to finding out the possibilities of manufacturing them at multinational level:

(a) Selected antibiotics based on fermentation;

(b) Acetyl salicylic acid (aspirin);

(c) Sulpha drugs;

(d) Paracetamol;

(e) Chloroquine hosphate.

III. Recommends that member States of the subregion should, when formulating projects with multinational implications, take account of the needs of member States for the products to be produced by the projects and determine such needs in consultation with such States.

IV. Recommends that these countries having excess formulating capacities be given preference when procurement of pharmaceutical supplies are being arranged.

V. In order to ensure that a comprehensive subregional programme for chemicals is developed, member States are urged to provide ECA with the information requested in the questionnaires already made available to them as well as with any other information that ECA may solicit in the future.

VI. 1. Since the Tanzanian Government is expected to make final investment/construction decision on its ammonia/urea project before the end of 1983, it is recommended that member States wishing to participate in the project should contact the Tanzanian Government as soon as possible. The Tanzanian Government is also requested to contact interested member States.

2. Other member States should continue to take actions related to the rehabilitation and expansion of existing phosphate fertilizers production facilities, particularly those in Zimbabwe and Tanzania.

3. After concrete interest have been expressed by member States to participate in a specific project, a consultative meeting should be organized between such members, the country initiating the project/likely to host the production facility, the African Development Bank, other African financial institutions and companies involved/likely to be involved in activities related to the project to:

(a) Examine the feasibility study/report of the project;

(b) Discuss specific modalities for implementing the project, and

(c) Take definite decisions relating to the participation of each member State, institution and company, and on the financial/technical commitment of the parties.

4. The African Development Bank should be requested to make loans to member States participating in industrial joint ventures from its funds reserved for multinational projects with a view that participating governments should invest such loans as their respective equities in the joint ventures.

VII. Recommend that:

1. Member States should take immediate action to appoint and designate professionally qualified officers to this Committee who will serve as permanent members as well as focal liaison officers at national level.

2. Member States should provide the designated committee members with the necessary mandate and adequate resources to enable them to carry out the activities of the Committee.

3. In view of the relatively poor attendance in the past meetings of member States are urged to participate actively in future meetings of the Committee.

Any other business (agenda item 9)

23. None.

Adoption of the report and closing of the meeting (agenda item 10)

24. The draft report of the Third Meeting of the Inter-governmental Committee of Experts on Chemicals for Eastern and Southern Africa was adopted with the necessary amendments.